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National Association of Purchasing Management

News Release

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U.S. DEPARTMENT OF COMMERCE MAKES ANNUAL ADJUSTMENTS TO PURCHASING MANAGERS' INDEX

The Department of Commerce recently made its annual adjustment to the seasonalization factors used to calculate the Purchasing Managers' Index. Economists and managers who track the index will note these changes in the January issue of the Report on Business, a monthly publication of the National Association of Purchasing Management.

The Purchasing Managers' Index, based on analysis by the U.S. Department of Commerce, adjusts five components of the National Association of Purchasing Management's business survey--new orders, production, employment, vendor performance, and inventories--for normal seasonal variation, applies various weights to each, and melds them into a single monthly index number. A reading above 50% indicates that the economy is generally expanding; below 50% that the economy is generally declining. It is standard practice to project the seasonal adjustment factors used to calculate the index a year ahead by computer. The Department of Commerce then takes the actual experience for that year and adjusts the factors, impacting not only the prior year but all recent years. The old and new Indexes for 1985 through 1987 are attached, as well as the 1988 projected seasonal factors. The 1988 seasonal factors will be recomputed when the actual data are known, early in 1989.

The U.S. Department of Commerce has updated the seasonal factors used to calculate the Purchasing Managers Index. Last year's experience modified the seasonal factors that had been projected one year ago for 1987, and changed slightly the seasonal factors for earlier years. Previously-published and revised Indexes are listed below, together with projected seasonal factors for 1988.

Month	1985 Old	1985 New	1985 Diff.	1986 Old	1986 New	1986 Diff.	1987 Old	1987 New	1987 Diff.
January	50.6	50.3	-0.3	51.8	51.2	-0.6	55.8	55.0	-0.8
February	49.7	49.9	0.2	50.7	51.0	0.3	51.6	51.9	0.3
March	47.7	47.8	0.1	50.8	51.0	0.2	53.9	54.2	0.3
April	48.0	48.2	0.2	49.3	49.7	0.4	54.2	54.7	0.5
May	47.6	47.1	-0.5	54.1	53.4	-0.7	57.5	56.7	-0.8
June	47.8	47.8	0.0	50.3	50.5	0.2	57.3	57.6	0.3
July	47.8	47.9	0.1	47.8	48.0	0.2	58.2	58.4	0.2
August	47.8	47.7	-0.1	52.8	52.6	-0.2	59.9	59.7	-0.2
September	50.1	49.9	-0.2	52.6	52.4	-0.2	60.7	60.2	-0.5
October	51.1	50.9	-0.2	51.5	51.2	-0.3	61.8	61.3	-0.5
November	51.7	52.0	0.3	50.8	51.2	0.4	58.9	59.5	0.6
December	50.5	50.7	0.2	50.4	50.5	0.1	61.6	61.8	0.2

TO COMPUTE PURCHASING MANAGERS' INDEX

1. *Calculate the unadjusted diffusion index for each component to two decimal places (percent up plus one half of percent same or unchanged). For vendor deliveries (percent slower plus one half of percent same or unchanged).*
2. *Divide each unadjusted diffusion index by its seasonal factor (round to one decimal place).*
3. *Multiply each seasonally adjusted diffusion index by its weight and sum.*

1988 SEASONAL ADJUSTMENT FACTORS FOR N.A.P.M. PURCHASING MANAGERS' INDEX

	New Orders	Production	Employment	Vendor Deliveries	Inventories	Prices
January	1.032	1.051	.985	1.006	1.013	1.036
February	1.075	1.085	.986	1.003	1.087	.995
March	1.080	1.093	1.068	1.049	1.046	1.026
April	1.090	1.081	1.090	1.001	1.049	1.048
May	.976	1.019	1.062	1.020	1.037	.994
June	.973	.975	1.037	.970	.989	.995
July	.958	.893	1.034	.995	.943	.992
August	.969	.962	.986	.972	1.028	.953
September	1.053	1.018	.977	1.009	1.019	.990
October	.934	.970	.969	.998	.962	.997
November	.966	.962	.906	.989	.903	.982
December	.890	.889	.895	.991	.925	.994
WEIGHT	.30	.25	.20	.15	.10	(Not part of index).